ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-72
End User Common Line Charges	)	

RESPONSE TO DATA REQUEST

Bell Atlantic[1] hereby provides the cost information the Commission has requested regarding provision of Integrated Services Digital Network ("ISDN") services.[2] The requested information is contained in the Attachment.

As shown in the Attachment, not all of the costs of providing ISDN are relevant to the calculation of subscriber line charges. The only costs that are relevant for this calculation are those for the loop that are booked to accounts in the Common Line basket. Accordingly, these costs should not be taken into account when deciding the issues raised in this proceeding.

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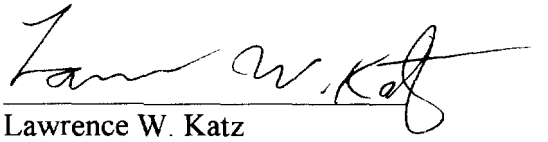
[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

[2] Letter dated September 29, 1995 to Joe Mulieri, Director, Federal Relations, Bell Atlantic from Kathleen M.H. Wallman, Chief, Common Carrier Bureau.

Reference is made in the attachment to Bell Atlantic's Comments and replies in this proceeding. For the Commission's convenience, copies of those filings are attached.

Respectfully Submitted
The Bell Atlantic Telephone Companies

By their Attorney



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October 18, 1995

ATTACHMENT

BELL ATLANTIC
Data Request - CC Docket No. 95-72
October 18, 1995

1. For each switched loop service that you offer, please identify the NTS cost components, including any NTS cost components located in the central office. For each component, please provide a short name, a brief description, the USOA account number, and the separations category.

LOOP COSTS	Standard Dial Tone Line	Basic Rate ISDN Loop	Primary Rate ISDN Loop	Affect SLC Rates?
Cable and Wire Facilities • USOA 2410 • Separations Cat. CWF 1.3	**$9.02**	**$9.02**	**$30.40**	**Yes**
Central Office - Transmission • USOA 2230 • Separations Cat. COE 4.13	**$3.80**	**$6.01**	**$89.00**	**Yes**
Central Office - Switching • USOA 2210 • Separations Cat. COE 3	**$1.61**	**$1.61**	**$1.61**	**No**
Land and Support Assets • USOA 2110 • Separation Cat. N/A	**$0.13**	**$0.13**	**$4.13**	**Yes**
Total NTS Loop Costs	**$14.56**	**$16.77**	**$125.14**	

NON-LOOP COSTS (ISDN Service)	Basic Rate ISDN	Primary Rate ISDN	Affect SLC Rates?
Central Office - Switching (NTS) • USOA 2210 • Separations Cat. COE 3	**$4.05**	**$123.02**	**No**
Land and Support Assets • USOA 2110 • Separations Cat. N/A	**$0.13**	**$2.85**	**No**
Total Costs of Non-Loop ISDN Service	**$4.18**	**$125.87**	

Note: This chart is based on monthly, unseparated, forward-looking, incremental unit costs for the Bell Atlantic region.

Cable and Wire Facilities

Cable and Wire Facilities for all of the above services include aerial, underground, and buried cable and the poles and conduit facilities that support the cable.

Central Office - Transmission

Central Office Transmission equipment includes:

Dial Tone Line: Digital Loop Carrier termination with POTS plug-in cards.

Basic Rate ISDN: Digital Loop Carrier termination with ISDN plug-in cards.

Primary Rate ISDN: Fiber optic termination equipment or main distribution frame.

Central Office Switching

A baseline amount of Central Office Switching equipment is required for all three services. The baseline equipment includes line cards which connect to line concentrators or switch modules that terminate lines in the central office switch. This baseline amount is shown in the loop portion of the chart because it is required to make the services functional. The Central Office Switching account is not included in the base factor portion used to calculate SLC rates and does not affect those rates.

An additional amount of Central Office Switching equipment is required to provide the features and functions associated with ISDN services. The additional equipment includes ISDN-specific line cards used to terminate ISDN lines in the central office switch. These cards are over and above the cost of providing an ISDN-ready loop and do not impact ISDN or dial tone line loop costs.

Land and Supporting Assets

Land and Supporting Assets include the portion of the land and building attributed to the central office equipment used to provide these services.

1a) For each service, please provide the number of voice grade-equivalent channels per unit of service, indicate whether the customer must provide a digital or analog signal, and note any waivers or interpretations of the FCC's rules governing the placement of termination equipment on the customer's premises.

	Standard Dial Tone Lines	Basic Rate ISDN	Primary Rate ISDN
# of VG equiv. channels	**1**	**up to 2**	**up to 24**
Type of signal	**Analog**	**Digital**	**Digital**
Waivers required	**None**	**None**	**None**

2) For each NTS cost component of each service, please provide the total annual cost booked, allocated to interstate, and apportioned to each access element for 1994. For capitalized costs, please provide the gross and net amounts and the annual depreciation expense.

Under the Commission's Uniform System of Accounts ("USOA"), 47 C.F.R. Part 32, costs are not booked at the service level. Instead those rules require that costs be booked by function, such as switching or transmission, not to specific services such as dial tone lines or high capacity services. Therefore, Bell Atlantic developed surrogate booked service costs using forward-looking unit costs multiplied by 1994 demand. This approach, while not approximating separations data, provides comparable data from which Bell Atlantic can demonstrate the ratios among the three loop services and the volume of costs in question in this proceeding.

The development of the surrogate booked costs requires certain assumptions regarding the treatment and allocation of the service-specific costs. The development process is as follows:

- Forward-looking unit costs are multiplied by 1994 demand.
- Costs are allocated to the interstate jurisdiction by multiplying the 1994 costs by a composite Bell Atlantic cost allocation factor.
- The Bell Atlantic cost allocation factor is based on 1994 ARMIS 43-04 data.
- The allocation of costs to the interstate jurisdiction and the appropriate access elements as defined in Part 69 of the Commission's rules is driven by the investment allocation.

The surrogate booked recurring non-traffic sensitive service costs are shown on Attachment 1.

3) For each service please provide the total (i.e., NTS and traffic sensitive) monthly costs per unit of service apportioned to each access element.

As pointed out in response to question 2, unit costs were used to develop the booked 1994 costs. Therefore, the allocation procedures and assumptions used to develop those costs also apply to the unit cost calculations, with the exception of multiplying by 1994 demand. The unit service allocated costs, both non-traffic sensitive and traffic sensitive, are shown on Attachment 2.

4) In addition, please explain any differences in NTS costs among different services.

Shown in the answer to question 1 and as discussed in Bell Atlantic's Comments and Reply Comments in this proceeding (copies attached), the difference in the costs between dial tone lines and Basic Rate ISDN loops is minimal. The small difference that does exist is due to an additional ISDN plug-in card which is required to transmit ISDN signals. Because the cost difference is insignificant, Bell Atlantic and nearly all commentors in this

proceeding have advocated that the Commission charge one SLC per Basic Rate ISDN service.

The loop used to provide Primary Rate ISDN is more expensive than a standard dial tone line because the Primary Rate ISDN loop is equivalent to a DS1 entrance facility. This is why Bell Atlantic presented a proposal for an ISDN surcharge to recover the additional Primary Rate ISDN loop costs. Bell Atlantic's proposal to impose a maximum $0.50 surcharge on each voice-equivalent channel after the first such channel in each service is designed to recover from all ISDN customers the additional interstate loop costs associated with Primary Rate ISDN service. The application of this surcharge to ISDN "B" channels ensures that these additional Primary Rate ISDN loop-related costs are recovered from ISDN customers, not standard dial tone line customers. See attached Comments of Bell Atlantic at pages 3-5.

BELL ATLANTIC
Data Request – CC Docket No. 95-72
October 18, 1995

DIAL TONE LINE: SURROGATE BOOK COST

COST COMPONENT	ANNUAL COST	% INTER-STATE	INTER-STATE ALLOC.	ACCESS ELEMENTS					
				CL	SWG	LOC TRPT	INF	SP ACC	IX
LOOP:									
Land & Supp Assets	$104,654,904	25.14%	$26,310,243	$12,571,034	$3,330,877	$4,493,789	$28,941	$5,861,922	$23,679
Depreciation	$3,314,072	25.14%	$833,158	$398,083	$105,478	$142,303	$916	$185,628	$750
Net Book Cost	$101,340,832		$25,477,085	$12,172,951	$3,225,399	$4,351,486	$28,025	$5,676,295	$22,929
Other Annual Costs	$22,849,654	25.14%	$5,744,403	$2,744,676	$727,241	$981,144	$6,319	$1,279,853	$5,170
Tot Ann Cost	$26,163,726		$6,577,561	$3,142,759	$832,719	$1,123,447	$7,235	$1,465,481	$5,920
Cable & Cable Support	$6,228,711,036	25.00%	$1,557,177,759	$1,557,177,759					
Depreciation	$608,044,992	25.00%	$152,011,248	$152,011,248					
Net Book Cost	$5,620,666,044		$1,405,166,511	$1,405,166,511					
Other Annual Costs	$1,279,580,626	25.00%	$319,895,157	$319,895,157					
Tot Ann Cost	$1,887,625,618		$471,906,405	$471,906,405					
COE Transmission	$2,899,812,965	25.00%	$724,953,241	$724,953,241					
Depreciation	$375,885,530	25.00%	$93,971,383	$93,971,383					
Net Book Cost	$2,523,927,435		$630,981,859	$630,981,859					
Other Annual Costs	$419,666,165	25.00%	$104,916,541	$104,916,541					
Tot Ann Cost	$795,551,695		$198,887,924	$198,887,924					
C.O. Switching	$842,820,827	16.83%	$141,846,745		$141,846,745				
Depreciation	$105,875,878	16.83%	$17,818,910		$17,818,910				
Net Book Cost	$736,944,949		$124,027,835		$124,027,835				
Other Annual Costs	$231,461,763	16.83%	$38,955,015		$38,955,015				
Tot Ann Cost	$337,337,641		$56,773,925		$56,773,925				
TOT LOOP COST	$3,046,678,680		$734,145,814	$673,937,087	$57,606,844	$1,123,447	$7,235	$1,465,481	$5,920

BELL ATLANTIC
Data Request – CC Docket No. 95-72
October 18, 1995

ISDN-BRI: SURROGATE BOOK COST

COST COMPONENT	ANNUAL COST	% INTER-STATE	INTER-STATE ALLOC.	ACCESS ELEMENTS					
				CL	SWG	LOC TRPT	INF	SP ACC	IX
LOOP:									
Land & Supp Assets	$6,130,800	25.14%	$1,541,283	$736,425	$195,126	$263,251	$1,695	$343,398	$1,387
Depreciation	$194,142	25.14%	$48,807	$23,320	$6,179	$8,336	$54	$10,874	$44
Net Book Cost	$5,936,658		$1,492,476	$713,105	$188,947	$254,915	$1,642	$332,524	$1,343
Other Annual Costs	$1,338,558	25.14%	$336,513	$160,786	$42,603	$57,477	$370	$74,975	$303
Tot Ann Cost	$1,532,700		$385,321	$184,106	$48,782	$65,813	$424	$85,849	$347
Cable & Cable Support	$364,884,780	25.00%	$91,221,195	$91,221,195					
Depreciation	$35,619,948	25.00%	$8,904,987	$8,904,987					
Net Book Cost	$329,264,832		$82,316,208	$82,316,208					
Other Annual Costs	$74,959,248	25.00%	$18,739,812	$18,739,812					
Tot Ann Cost	$110,579,196		$27,644,799	$27,644,799					
COE Transmission	$235,933,620	25.00%	$58,983,405	$58,983,405					
Depreciation	$30,531,384	25.00%	$7,632,846	$7,632,846					
Net Book Cost	$205,402,236		$51,350,559	$51,350,559					
Other Annual Costs	$43,171,050	25.00%	$10,792,763	$10,792,763					
Tot Ann Cost	$73,702,434		$18,425,609	$18,425,609					
C.O. Switching	$49,373,376	16.83%	$8,309,539		$8,309,539				
Depreciation	$6,202,326	16.83%	$1,043,851		$1,043,851				
Net Book Cost	$43,171,050		$7,265,688		$7,265,688				
Other Annual Costs	$13,559,286	16.83%	$2,282,028		$2,282,028				
Tot Ann Cost	$19,761,612		$3,325,879		$3,325,879				
TOT LOOP COST	$205,575,942		$49,781,608	$46,254,514	$3,374,661	$65,813	$424	$85,849	$347
NON-LOOP COSTS (ISDN SERVICE):									
Land & Supp Assets	$6,130,800	25.14%	$1,541,283	$736,425	$195,126	$263,251	$1,695	$343,398	$1,387
Depreciation	$194,142	25.14%	$48,807	$23,320	$6,179	$8,336	$54	$10,874	$44
Net Book Cost	$5,936,658		$1,492,476	$713,105	$188,947	$254,915	$1,642	$332,524	$1,343
Other Annual Costs	$1,338,558	25.14%	$336,513	$160,786	$42,603	$57,477	$370	$74,975	$303
Tot Ann Cost	$1,532,700		$385,321	$184,106	$48,782	$65,813	$424	$85,849	$347
Switch Term – NTS	$116,863,266	16.83%	$19,668,088		$19,668,088				
Depreciation	$15,623,322	16.83%	$2,629,405		$2,629,405				
Net Book Cost	$101,239,944		$17,038,683		$17,038,683				
Other Annual Costs	$34,015,722	16.83%	$5,724,846		$5,724,846				
Tot Ann Cost	$49,639,044		$8,354,251		$8,354,251				
TOT NON-LOOP COST	$51,171,744		$8,739,572	$184,106	$8,403,033	$65,813	$424	$85,849	$347

BELL ATLANTIC
Data Request – CC Docket No. 95-72
October 18, 1995

ISDN-PRI: SURROGATE BOOK COST

COST COMPONENT	ANNUAL COST	% INTER-STATE	INTER-STATE ALLOC.	ACCESS ELEMENTS					
				CL	SWG	LOC TRPT	INF	SP ACC	IX
LOOP:									
Land & Supp Assets	$1,090,638	25.14%	$274,186	$131,006	$34,712	$46,831	$302	$61,089	$247
Depreciation	$25,542	25.14%	$6,421	$3,068	$813	$1,097	$7	$1,431	$6
Net Book Cost	$1,065,096		$267,765	$127,938	$33,899	$45,734	$295	$59,658	$241
Other Annual Costs	$241,812	25.14%	$60,792	$29,046	$7,696	$10,383	$67	$13,544	$55
Tot Ann Cost	$267,354		$67,213	$32,114	$8,509	$11,480	$74	$14,975	$60
Cable & Cable Support	$8,702,964	25.00%	$2,175,741	$2,175,741					
Depreciation	$309,204	25.00%	$77,301	$77,301					
Net Book Cost	$8,393,760		$2,098,440	$2,098,440					
Other Annual Costs	$1,660,986	25.00%	$415,247	$415,247					
Tot Ann Cost	$1,970,190		$492,548	$492,548					
COE Transmission	$20,695,608	25.00%	$5,173,902	$5,173,902					
Depreciation	$2,408,238	25.00%	$602,060	$602,060					
Net Book Cost	$18,287,370		$4,571,843	$4,571,843					
Other Annual Costs	$3,358,854	25.00%	$839,714	$839,714					
Tot Ann Cost	$5,767,092		$1,441,773	$1,441,773					
C.O. Switching	$260,928	16.83%	$43,914		$43,914				
Depreciation	$32,778	16.83%	$5,517		$5,517				
Net Book Cost	$228,150		$38,398		$38,398				
Other Annual Costs	$71,658	16.83%	$12,060		$12,060				
Tot Ann Cost	$104,436		$17,577		$17,577				
TOT LOOP COST	$8,109,072		$2,019,110	$1,966,435	$26,086	$11,480	$74	$14,975	$60
NON-LOOP COSTS (ISDN SERVICE):									
Land & Supp Assets	$831,384	25.14%	$209,010	$99,865	$26,461	$35,699	$230	$46,567	$188
Depreciation	$26,568	25.14%	$6,679	$3,191	$846	$1,141	$7	$1,488	$6
Net Book Cost	$804,816		$202,331	$96,674	$25,615	$34,558	$223	$45,079	$182
Other Annual Costs	$182,520	25.14%	$45,886	$21,924	$5,809	$7,837	$50	$10,223	$41
Tot Ann Cost	$209,088		$52,565	$25,115	$6,655	$8,978	$58	$11,711	$47
Switch Term – NTS	$17,340,966	16.83%	$2,918,485		$2,918,485				
Depreciation	$2,502,846	16.83%	$421,229		$421,229				
Net Book Cost	$14,838,120		$2,497,256		$2,497,256				
Other Annual Costs	$5,468,742	16.83%	$920,389		$920,389				
Tot Ann Cost	$7,971,588		$1,341,618		$1,341,618				
TOT NON-LOOP COST	$8,180,676		$1,394,183	$25,115	$1,348,273	$8,978	$58	$11,711	$47

ATTACHMENT 2

BELL ATLANTIC
Data Request – CC Docket No. 95–72
October 18, 1995

UNIT COSTS

COST COMPONENT	MONTHLY COST	% INTER–STATE	INTER–STATE ALLOC.	ACCESS ELEMENTS					
				CL	SWG	LOC TRPT	INF	SP ACC	IX
DIAL TONE LINE									
LOOP:									
Land & Supp Assets	$0.13	25.14%	$0.03	$0.02	$0.00	$0.01	$0.00	$0.01	$0.00
Cable & Cable Support	$9.02	25.00%	$2.25	$2.25					
COE Transmission	$3.80	25.00%	$0.95	$0.95					
C.O. Switching	$1.61	16.83%	$0.27		$0.27				
TOT LOOP COST	$14.56		$3.51	$3.22	$0.28	$0.01	$0.00	$0.01	$0.00
ISDN – BRI									
LOOP:									
Land & Supp Assets	$0.13	25.14%	$0.03	$0.02	$0.00	$0.01	$0.00	$0.01	$0.00
Cable & Cable Support	$9.02	25.00%	$2.25	$2.25					
COE Transmission	$6.01	25.00%	$1.50	$1.50					
C.O. Switching	$1.61	16.83%	$0.27		$0.27				
TOT LOOP COST	$16.77		$4.06	$3.77	$0.28	$0.01	$0.00	$0.01	$0.00
NON–LOOP COSTS (ISDN SERVICE):									
Land & Supp Assets	$0.13	25.14%	$0.03	$0.02	$0.00	$0.01	$0.00	$0.01	$0.00
Switch Term – NTS	$4.05	$0.17	$0.68		$0.68				
TOT NON–LOOP COST	$4.17		$0.71	$0.02	$0.69	$0.01	$0.00	$0.01	$0.00
ISDN – PRI									
LOOP:									
Land & Supp Assets	$4.13	25.14%	$1.04	$0.50	$0.13	$0.18	$0.00	$0.23	$0.00
Cable & Cable Support	$30.40	25.00%	$7.60	$7.60					
COE Transmission	$89.00	25.00%	$22.25	$22.25					
C.O. Switching	$1.61	16.83%	$0.27		$0.27				
TOT LOOP COST	$125.14		$31.16	$30.35	$0.40	$0.18	$0.00	$0.23	$0.00
NON–LOOP COSTS (ISDN SERVICE):									
Land & Supp Assets	$3.23	25.14%	$0.81	$0.39	$0.10	$0.14	$0.00	$0.18	$0.00
Switch Term – NTS	$123.02	$0.17	$20.70		$20.70				
Switch Term – TS	$16.47	16.83%	$2.77		$2.77				
TOT NON–LOOP COST	$142.72		$24.29	$0.39	$23.58	$0.14	$0.00	$0.18	$0.00

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-72
End User Common Line Charges	)	

COMMENTS OF BELL ATLANTIC[1]

I. *Introduction and Summary*

Bell Atlantic commends the Commission for initiating this proceeding to prescribe the number of subscriber line charges ("SLCs")[2] to be assessed in connection with Integrated Services Digital Network ("ISDN") and other derived-channel services.[3] As Bell Atlantic has previously shown, ISDN is the first widely-available "on-ramp" to the Information Superhighway and holds the promise of affording consumers and business personnel efficient access to the Internet.[4]

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[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc., Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

[2] Also known as the End User Common Line charge. ***See*** 47 C.F.R. § 69.104.

[3] ***Notice of Proposed Rulemaking***, FCC 95-212 (rel. May 30, 1995) ("NPRM").

[4] ***See*** Emergency Petition for Waiver (filed Feb. 10, 1995) at 5-7 ("Emergency Petition").

In order to prevent a substantial increase in ISDN prices that will seriously stifle demand, while having little or no impact on Carrier Common Line ("CCL") charges, Bell Atlantic suggests that the Commission adopt a variation of the proposals presented in the NPRM. The Commission should prescribe a single SLC for an ISDN service, but with a small cost-based surcharge for each voice-grade or "B" channel (after the first) to avoid increases to the CCL charge. This surcharge, which is likely to be less than fifty cents per channel, would cover the increased interstate loop costs of providing ISDN service, as compared with the cost of dial tone lines. A customer of ISDN Basic Rate Interface ("BRI") service will pay the single-line SLC charge, but with a surcharge for the second "B" channel.[5] Similarly, a subscriber to ISDN Primary Rate Interface ("PRI") service would pay a single SLC, plus the surcharge on each of the twenty-two additional "B" channels (after the first).[6] The revenues from these surcharges should be sufficient to meet the Commission's policy goal of preventing upward pressure on CCL charges which could increase interstate toll rates.

The results of this proceeding, however, should be viewed as only an interim solution to a much larger problem. While not delaying a decision here, the Commission should quickly initiate a rulemaking aimed at comprehensively re-examining its access charge rules in light of the major changes in the telecommunications marketplace in the dozen years since it adopted the present rules.

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[5] BRI provides the customer with two voice-grade "B" or "Bearer" channels that are capable of being used for voice, data, or image services, plus one "D" or "Delta" channel that provides signaling and may be used for packet switched data.

[6] PRI provides 23 "B" channels plus one "D" channel.

II. *An ISDN Surcharge Will Promote New Technology and Keep CCL Charges Low, While Placing Additional Loop Costs on the Cost-Causing Service.*

Congressional policy requires the Commission "to encourage the provision of new technologies and services to the public."[7] As Bell Atlantic has discussed in detail in its Emergency Petition, ISDN provides the first widely-available "on-ramp" to the "information superhighway."[8] It will soon be the service of choice for consumers gaining access to the Internet, as well as providing subscribers with efficient, high-speed voice, data and image communications.[9] A Commission policy that imposes a SLC charge for each ISDN voice channel will unduly increase the price of the service, thereby discouraging customers from subscribing and, likewise, will deter exchange carriers from expanding ISDN deployment.[10] In furtherance of Congressional policy, therefore, the Commission should require local exchange carriers to charge one SLC for each ISDN service.

Such a rule could, however, apply some upward pressure on the non-traffic sensitive costs that would be recovered from CCL charges if SLC revenues cannot recover the proper amount of interstate loop costs. Such upward pressure is by no means certain, however. It is likely that at least some of the demand for derived-channel digital services

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[7] 47 U.S.C. § 157 (a).

[8] Emergency Petition at 1-2 and 5-7.

[9] *Id.*

[10] Likewise, perpetuation of the non-enforcement condition which reduces interstate revenue in the Common Line price cap basket would discourage such investment, because an increase in the number of derived channels would result in a loss of revenue.

will be new demand, not replacement of existing switched services. Some may replace special access or private line services, which are not subject to SLCs. In still other cases, customers may replace a single analog channel with an ISDN BRI service which delivers two voice-grade channels.[11] In that scenario, a single SLC for ISDN would produce no change in the number of SLCs the customer would pay.

Because of the unknowns, and because demand levels are unrelated to cost differences in providing ISDN and existing dial-tone services, the Commission should not focus on demand when examining the impact of ISDN growth on the CCL charge. Instead, it should take steps to ensure that increased CCL charges are not required to cover any increased costs of providing ISDN services. This can be accomplished by imposing a small "ISDN surcharge" on each ISDN "B" channel after the first such channel provided with any ISDN service, i.e., on the second "B" channel of a BRI service and the second through twenty-third "B" channels of a PRI service. This charge will place on the ISDN customer those increased costs caused by that service.

This ISDN surcharge would defray the additional interstate end user common line costs caused by ISDN service, in order that those costs will be borne by the cost-causing service, rather than the CCL rate element.[12] It would be determined by calculating the interstate portion of the loop costs of existing ISDN services provided by

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[11] BRI rides on existing loop facilities, and, therefore, the loop costs for BRI and analog dial-tone loops are about the same.

[12] To accomplish this goal, the Commission must establish a mechanism to recognize the surcharge revenues, along with SLC revenues, when calculating the CCL revenue requirements in the Common Line basket. This mechanism could be developed as part of the Commission's upcoming further notice in the LEC price cap proceeding, CC Docket No. 94-1.

an exchange carrier, then subtracting from that amount the relevant costs of a comparable number of that carriers' ordinary dial tone services.[13] This difference would then be divided by the total number of "B" channels on which the surcharge would be applied to determine the per-channel surcharge (i.e., one for each BRI service, twenty-two for each PRI service). Bell Atlantic estimates that the initial surcharge for each "B" channel covered by the surcharge would be no higher than fifty cents per month and is likely to be lower.[14] If the surcharge were set at fifty cents, a residential or single-line business BRI customer[15] that now pays the maximum $3.50 monthly SLC rate would pay $4.00 for the SLC and ISDN surcharge. A PRI customer would pay $11.00 in addition to the multi-line business SLC in the particular jurisdiction (a maximum of $6.00).

These relatively small surcharges will have minimal impact on ISDN demand. On the other hand, they place the additional loop costs only on the cost-causing service, not other ratepayers, while preventing upward pressure on CCL charges and toll rates. By contrast, the existing rule, as the Commission has interpreted it, is unrelated to cost and places an undue burden on ISDN customers. It would sharply curtail demand, deny customers efficient and affordable ISDN service and seriously inhibit access to the Internet and other Information Superhighway services.

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[13] In effect, this calculation would be made only on PRI services, because the cost of a BRI service is roughly equivalent to the cost of a dial-tone line.

[14] The amount of the surcharge should be re-calculated annually.

[15] A business customer with one BRI service and no other dial-tone services would be classified as a single-line customer for the purpose of calculating the SLC.

III. *Rules Adopted Here Should Be Viewed As Interim, Pending Comprehensive Access Reform.*

A dozen years have passed since the Commission adopted the present access charge structure.[16] It is undisputed that the nature of the telecommunications industry has changed markedly in the intervening period. These changes necessitate a comprehensive re-examination of access charges and the mechanisms that are designed to preserve universal service. The Commission has before it several unopposed petitions asking the Commission to conduct such a comprehensive proceeding.[17] The Commission should grant those petitions forthwith.

The issues in this proceeding are dependent upon, and interrelated with, the issues in any comprehensive access reform investigation. If, for example, the Commission selects a mechanism other than SLCs and CCL to recover non-traffic sensitive costs, this proceeding would be moot. On the other hand, if the SLC/CCL mechanism is retained, the Commission will need to consider the impact on future SLC revenues of new technologies and growing local exchange competition.

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[16] ***MTS and WATS Market Structure, Third Report and Order***, 93 F.C.C.2d 682 (1983).

[17] ***See*** National Association of Regulatory Utility Commissioners' Petition for Notice of Inquiry Addressing Access Issues, DA 93-847 (filed June 25, 1993); United States Telephone Association, Reform of Interstate Access Charge Rules, RM-8356 (filed Sept. 17, 1993); and Petition of MFS Communications Company, Inc. for a Notice of Inquiry and *En Banc* Hearing, RM-8388 (filed Nov. 1, 1993). In addition, the Commission's Common Carrier Bureau's Access Reform Task Force has issued, and received comments on, a paper which addresses many of the relevant universal service and access charge restructuring issues and suggests that reform is critically needed. ***See*** Federal Perspectives on Access Charge Reform (April 30, 1993).

Despite this interrelationship, however, there is an immediate need to decide the number of SLCs to charge for ISDN. ISDN deployment is growing rapidly -- Bell Atlantic is actively marketing ISDN as a business service and will tariff a residential offering later this year. Widespread public acceptance of ISDN is price-sensitive, especially with residential customers, and a requirement to charge additional SLCs could seriously constrain new demand. The condition placed on "non-enforcement" of the multiple-SLC requirement -- that local exchange carriers must keep CCL rates artificially low -- cannot long be sustained, because it requires Bell Atlantic to subsidize CCL charges.[18] Accordingly, the Commission should resolve the immediate issue on an interim basis, then re-examine imposition of SLCs in the broader context of comprehensive access reform.

[18] Public Notice, DA 95-1168 (rel. May 30, 1995).

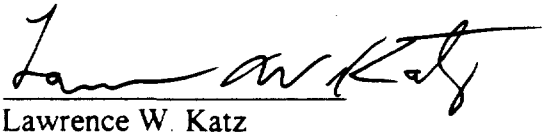
IV. *Conclusion*

Accordingly, the Commission should, as an interim step pending comprehensive access reform, prescribe a single SLC for each derived-channel service, but with a modest surcharge for ISDN "B" channels to prevent upward pressure on CCL charges

Respectfully Submitted,

The Bell Atlantic Telephone Companies

By their Attorney



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June 29, 1995

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-72
End User Common Line Charges	)	

REPLY COMMENTS OF BELL ATLANTIC[1]

I. *Introduction and Summary*

The more than thirty parties filing comments in this proceeding unanimously agree that the Commission's existing rule is inconsistent with the current state of technology and the public interest. All agree that imposing a separate subscriber line charge ("SLC") for each derived channel of an integrated services digital network ("ISDN") service will artificially suppress demand and discourage investment in advanced technologies.

Nearly all parties urge the Commission to adopt a rule that imposes one SLC for each service, facility, or customer interface, or a cost-based approach that bases the number of SLCs in some manner on the relative interstate loop costs of ISDN compared with existing dialtone services. Only two parties, AT&T and Sprint, deviate from this near unanimity.[2] They propose mechanisms under which certain ISDN customers (in AT&T's comments), and all residence and single-line business

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[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

[2] ***See*** Comments of AT&T Corp. ("AT&T"), Comments of Sprint Corporation ("Sprint").

customers, will subsidize the carrier common line ("CCL") charges paid by interexchange carriers. As shown below, their proposals bear no relationship to the cost of providing ISDN and would not serve the public interest.

Bell Atlantic agrees with AT&T, Sprint, and a number of other parties, however, that the existing rules which recover interstate non-traffic sensitive ("NTS") common line costs through a combination of SLCs and CCL charges are inconsistent with a competitive marketplace and should be revised. Those revisions should take place through a comprehensive policy proceeding, not on a piecemeal basis in dealing with a specific aberration in the Commission's Rules, and should not, therefore, cause the Commission to postpone a decision here.

II. *There Is No Cost or Other Justification For Imposing 23 SLCs on PRI.*

AT&T, while paying lip service to the public's need for new technologies and services, such as ISDN,[3] nonetheless proposes a mechanism that will have the opposite effect, at least for customers of primary rate interface ("PRI") ISDN service. AT&T's proposal, to charge one SLC for each PRI derived channel,[4] rests on false assumptions. First, AT&T assumes that PRI customers are "currently buying these services on a per-derived channel basis" and, therefore, already expect to pay one SLC for each channel.[5] However, virtually all local exchange carriers ("LECs") are charging one or, in some cases, two SLCs for PRI, so that AT&T's proposal would cause a substantial increase in

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[3] AT&T at 1.

[4] ***Id.*** at 8.

[5] ***Id.*** at 9.

their PRI charges.[6] Customers are aware of the existing price of PRI service (with SLC charges) and any substantial increase will suppress demand. Second, AT&T ignores evidence that charging one SLC for each derived channel would result in a decrease in potential PRI demand of as much as 35-40% and would cause a significant number of existing PRI customers to cancel their service.[7] Third, AT&T ignores the fact that a per-derived channel SLC charge bears no relationship whatever to cost, and AT&T makes no effort to cost-justify its proposal. As a number of the parties have shown, the interstate NTS loop costs of PRI, which is currently delivered through two copper pairs, are far lower than twenty-three times the cost of a dialtone loop.[8] AT&T's proposal would grossly over-recover interstate NTS costs from PRI customers, and, thereby subsidize AT&T's CCL charges.

AT&T also proposes to increase the SLC cap for residential and single-line business customers (but, presumably, not multi-line business customers) by $0.25.[9] This increase is intended to cover additional Basic Rate Interface ("BRI") ISDN costs that are not recovered by a single SLC. However, BRI is delivered over a standard dialtone loop, and all parties to this proceeding that address the issue agree that the cost of providing BRI approximates that of delivering a dialtone line.[10]

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[6] ***See*** BellSouth Telecommunications, Inc. Comments at 6 & n.7 (citing emergency waiver petitions filed by Pacific Bell, GTE, Cincinnati Bell, US WEST, BellSouth, and Bell Atlantic).

[7] ***See*** Bell Atlantic Emergency Petition for Waiver, Declaration of Brian Cowman at ¶ 6 (filed Feb. 10, 1995).

[8] ***See, e.g.***, US WEST Communications, Inc., Comments at 4 & App. A; Comments of the Industry Technology Industry Council at 6; Comments of Sprint Corporation at 3; NYNEX at 10-11.

[9] AT&T at 10-11.

[10] ***See, e.g.,*** MCI Telecommunications Corp. Comments at 3 ("MCI is not aware of any persuasive evidence that the loop facilities being used to provide ISDN are substantially different from ordinary telephone loops.").

Although it is important for the Commission to determine whether the existing method of recovering a portion of the NTS loop costs from CCL charges is appropriate in a competitive environment, that determination should be made in a broad access reform proceeding, not in this narrow rulemaking. Instead, the Commission should reject AT&T's thinly-veiled attempt to obtain a subsidy prior to an overall reform of the existing system.

III. *Sprint's Proposal Would Unreasonably Burden the LECs and Create Non-Cost-based CCL Subsidies.*

Sprint's proposal in some ways trumps even AT&T's call for a subsidy. Sprint wants to put the onus on LECs to decide how many SLCs to charge on ISDN services.[11] To offset any potential CCL charge increase, Sprint would allow LECs to raise residential and single-line business (but not multi-line business) SLCs by $0.50 per month.[12] LECs would then bear the burden of any SLC revenue that this increase does not cover, in order to keep CCL rates from rising.[13]

Sprint would also increase the SLC on residential and single-line business ISDN customers to the multi-line business level, an increase of up to $2.50 per service.[14] Even though Sprint claims that its proposal allows LECs to charge only one SLC for a BRI service,[15] its proposal would

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[11] Sprint at 4.

[12] ***Id.***

[13] ***Id.*** at 4-5.

[14] ***Id.*** at 5.

[15] ***Id.*** at 3.

force LECs to charge nearly the price of two residential and single-line business SLCs.[16] The result would suppress demand almost as much as the existing Commission rule and should be rejected on that basis alone.

Moreover, to make the decision of how many SLCs to charge decision more difficult, Sprint would force the LEC to subsidize the CCL if the revenue produced from the $0.50 SLC increase is insufficient to offset any potential increase in the CCL. This would perpetuate the inequities in the Commission's interim "non-enforcement" order[17] and, as NYNEX demonstrates, is unlikely to withstand judicial scrutiny.[18] Accordingly, the Commission should reject Sprint's proposal.

IV. *Conclusion*

The Commission should follow the advice of all parties and revise its rules to encourage deployment of ISDN and further development of efficient new technologies. Most parties have shown that this can be accomplished by charging a single SLC on each service, facility, or subscriber interface without causing upward pressure on CCL (and interstate toll) rates.
In the event, however, that some adjustment is needed to prevent CCL charge increases, the Commission should adopt one of the moderate proposals, such as a small cost-based ISDN surcharge

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[16] Two residential or single-line business SLCs would cost up to $7.00, while a multi-line business SLC is capped at $6.00.

[17] Public Notice, DA 95-1168 (rel. May 30, 1995).

[18] ***See*** NYNEX at 19.

or a second SLC on PRI service. It should reject, however, the proposals of AT&T and Sprint for non-cost-based CCL subsidies that will severely curtail ISDN demand.

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